

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN

Introduction

The Howard County Police and Fire Employees' Retirement Plan (the "Plan") was created in 1990 to provide retirement benefits to sworn police officers and career firefighters at Howard County Government. This booklet is provided to Plan Participants as a Summary Plan Description ("Summary") to describe how the Plan operates. Major topics are:

- Participation rules and contribution rates,
- Service credit provisions, including transferring and purchasing service
- Retirement plan benefits, and
- Administrative provisions, including optional forms of benefit payments.

Complete provisions of the Plan may be found in Sections 1.401A through 1.478A and Section 1.482 of the Howard County Code. If differences exist between this Summary and the Plan itself, the Plan will control your rights and benefits.

This booklet is written in everyday language and examples are given whenever possible to describe the main features of the Plan as of September 2003. Since the Plan has been amended several times since it was created in 1990, some provisions in this Summary may not apply to participants who terminated before an amendment. If you have questions related to rules that may apply to you but are no longer in effect, please contact the County's Office of Human Resources.

The Plan is designed to satisfy Internal Revenue Service requirements for qualified retirement plans and will be amended to ensure continued IRS qualification. The Plan is also amended from time to time when Howard County finds it necessary or appropriate to do so. In either event, Plan Participants will be notified of any changes made to the Plan.

To apply for benefits from the Plan or to ask questions regarding its operation, please contact:

Retirement Coordinator
c/o the Office of Human Resources
Howard County Government
3430 Court House Drive
Ellicott City, Maryland 21043

You may also telephone (410) 313-2033.

Participation and Eligibility Requirements	<p>If you are a “Covered Employee” participation is mandatory after June 30, 1990 as a condition of employment. The Appendix at the end of this Summary contains a list of job classifications for Covered Employees. After June 30, 1990, if you are a full-time firefighter or police officer working in one of the job classifications listed in the Appendix, you are a Covered Employee as of your first day of work for the County.</p> <p>Participation before July 1, 1990 was voluntary. If you were hired by the County as a full-time firefighter or police officer before July 1, 1990, you could have chosen to stay in one of the State systems or transfer to the Plan and receive service credit from the Plan for your previous State service. If you chose to transfer to the Plan, you completed an application form and returned it to the Office of Human Resources. Your choice to transfer was final.</p>
Contributions	<p>The Plan is a “defined benefit” type of retirement plan. While Plan Participants are required to make contributions, a majority of the funding of the plan is provided by contributions made by Howard County. The County’s contributions to the Plan are determined annually by professional actuaries to ensure that the Plan is adequately funded to provide benefits for all Plan Participants.</p> <p>Employee Contributions are Mandatory</p> <p>Police Participants are required to contribute 11.6% of their legislated base salary to the Plan. Fire Participants are required to contribute 7.7% of their legislated base salary to the Plan. Contributions are automatically deducted from each pay check. Contributions earn 2.5% interest in the year that the contribution is made and 5% interest compounded annually thereafter until the accumulated contributions are withdrawn or until retirement.</p> <p>Mandatory Participant contributions are treated as pre-tax contributions for federal income tax purposes. Therefore, contributions are not subject to federal tax during your membership in the Plan. Federal income taxes are deferred until benefits are received.</p> <p>Mandatory Participant contributions are treated as pre-tax contributions for State tax purposes in most states, including Maryland and Virginia. If you live in Pennsylvania, however, you must pay state taxes on your contributions.</p> <p>Transferred Contributions From Other Plans Allowed</p> <p>In some cases, contributions that Plan Participants made to other government employers’ plans, plus the interest earned on those contributions, may be transferred to the Plan. Transferred contributions earn 0.42% per month interest in the year of transfer and 5% interest compounded annually thereafter.</p>

Service Credit	<p>The Plan provides two types of service credit: Eligibility Service and Creditable Service. Service credit is generally based on employment with Howard County, Maryland. Service credit prior to July 1, 1990 was based on credit earned in the Maryland State Retirement and Pension Systems. The rules for Eligibility Service and Creditable Service shown below apply to post-July 1, 1990 service only. In special situations, Participants can transfer service from other governmental employers' retirement plans. See page 4 and 5 for more information regarding transferring service credit. Under certain circumstances, Participants may purchase additional service credit. See page 6 for more information regarding purchasing service credit.</p> <p>Eligibility Service determines when Participants are vested and when they qualify for retirement benefits. Participants receive one month of Eligibility Service for each calendar month during which they are employed for the entire month until the date they retire, terminate employment, die or become disabled. Eligibility Service will be different from Creditable Service if service was transferred to the Plan, or purchased at retirement, or if credit was granted for unused sick leave.</p> <p>Creditable Service determines the amount of most benefits that Participants receive. Like Eligibility Service, Participants receive one month of Creditable Service for each calendar month they are employed for the entire month.</p> <p>Note: An Hour of Service is generally an hour for which you are paid by Howard County. Hours of Service include your regular working hours, plus hours for which you are paid but do not work, such as holidays, compensatory hours, sick leave, annual leave and other paid leave. However, Hours of Service do not include overtime hours, or vacation hours paid because of termination of employment.</p>
Credit for Unused Sick Leave	<p>You may receive additional Creditable Service if you have unused sick leave when you die, retire, terminate employment as a vested participant, or if you become disabled. You will receive one month of Creditable Service for each 22 days of unused sick leave you have at termination. If, after counting your sick leave in multiples of 22 days, 12 or more days remain, you will receive credit for an extra month of Creditable Service. Unused sick leave cannot be used to satisfy the eligibility rules for any benefits paid from the Plan.</p> <p>Example: When he retired, John had 60 days of unused sick leave. He will receive 2 months of Creditable Service for the first 44 days, plus an extra month of Creditable Service for the remaining 16 days for a total of 3 additional months of Creditable Service for unused sick leave. If John had only 50 Days of unused sick leave at retirement, he would receive credit for 2 months of Creditable Service, since the remaining number of days after the 44 days are counted is only 6 days which is less than 12 days. See page 9 for additional information regarding credit for unused sick leave.</p>

Transfers of Service Credit

You may transfer service credit from other governmental employers. If you served as a full-time, career firefighter or sworn police officer for a government employer other than Howard County, you may elect to transfer this service to the Plan. However, your transfer is limited to up to 5 years of Eligibility Service. Please refer to page 3 for a discussion of Eligibility Service and Creditable Service. This service is counted only for calculating whether you have reached your Normal Retirement Date and when you become vested in your benefit. This service is not counted when calculating the amount of your retirement benefit.

Police Cadet service may also be transferrable. You may request to transfer up to 2 years of Eligibility Service for service as a police cadet in the State of Maryland provided that your former position was comparable to a Howard County Police Cadet's position.

As of July 1, 1993 the following rules apply to transferred service:

- Creditable Service cannot be transferred.
- No Eligibility Service is transferrable for positions other than police officer, police cadet or career firefighter.
- Plan Participants must apply in writing on a Howard County Police and Fire Employees' Retirement Plan Transfer of Service Credit Request Form, see the Retirement Coordinator for a copy.
- Transferrable service need not be continuous with your Howard County employment.
- Except for cadet service, transferrable service is not limited to Maryland employment.
- Cadet service within the State of Maryland is transferrable provided the former position was comparable to a Howard County Police Cadet's position.
- Transferrable service is not limited to service in an actuarially based retirement plan.
- Plan Participants may transfer their employee contributions and associated earnings from their prior plan within one year of Plan Participation. If transferred, these funds will provide an actuarially determined additional monthly payment at retirement. The transfer of employee contributions is optional.
- The Participant's prior plan must permit transfer of contributions to this Plan.

Different transfer of service credit rules applied to plan members who transferred service before July 1, 1993. If you would like more information regarding transferred service rules prior to July 1, 1993, please call the Retirement Coordinator.

Transfers of Service Credit before June 30, 1990 from the Maryland State Retirement and Pension System. All service credit recognized by the Maryland State Retirement and Pension System was transferred to the Howard County Police and Fire Employees' Retirement Plan at no cost to Participants who elected to join the Howard County Plan in 1990.

Military Service	<p>You may receive a total of up to four additional years of Eligibility Service and Creditable Service for your active military duty in the Armed Forces of the United States,</p> <ul style="list-style-type: none">• if your military service preceded your Howard County employment, or• if you military service interrupted your Howard County employment. <p>If your active military service preceded your employment, you may receive credit for up to four years of that service once you have twenty years of other Eligibility Service (If you transferred from the Maryland State Retirement System on July 1, 1990, your limit is five years.)</p> <p>If you are called to active military duty while a member of the Plan, you should file for a Leave of Absence Without Pay before leaving employment. When you return to work for Howard County, you will be granted the Eligibility and Creditable Service that is required by federal and Maryland State law. If you receive Supplemental Pay for County Employees Called to Active Military Duty, mandatory employee contributions will automatically be deducted from your Supplemental Pay.</p> <p>You may not receive additional credit for military service if your service has been previously recognized by the Maryland State Retirement System, or if you are entitled to receive a benefit from another retirement system based on your military service (except for disability benefits, Social Security benefits, benefits under the National Railroad Retirement Act or benefits with respect to National Guard or Military Reserve service).</p> <p>Notes: To apply for military credit, either preceding or interrupting membership, complete a Claim of Retirement Credit for Active Duty Miliary Service. Attach a copy of your military discharge papers (Form DD214) indicating your active duty entrance and discharge dates.</p> <p>The minimum amount of Military Service which can be recognized by the Plan is 6 months.</p> <p>The provisions described above are subject to federal and Maryland State law.</p>																		
Example of Transferred Eligibility Service and Military Service	<p>In the example below, a Police Participant transferred five years of service from another jurisdiction and was granted five years of Eligibility Service. The Participant then worked fifteen years as Covered Employee. Even though this Participant did not make contributions of 11.6% of pay for the five years which were transferred, the Participant can retire and begin receiving benefits after 15 years of Howard County Service. Also in this example, having achieved 20 years of Eligibility Service qualifies this Participant to apply for Military Service.</p> <table><tr><td>Service on or after January 1, 2002</td><td>(How Much?)</td><td>(When?)</td></tr><tr><td></td><td><u>Creditable</u></td><td><u>Eligibility</u></td></tr><tr><td>-Membership</td><td>15 Yrs / 0 Mo</td><td>15 Yrs / 0 Mo</td></tr><tr><td>-Military</td><td>4 Yrs / 0 Mo</td><td>4 Yrs / 0 Mo</td></tr><tr><td>-Purchased/Transferred</td><td><u>0 Yrs / 0 Mo</u></td><td><u>5 Yrs / 0 Mo</u></td></tr><tr><td>Total</td><td><u>19 Yrs / 0 Mo</u></td><td>24 Yrs / 0 Mo</td></tr></table>	Service on or after January 1, 2002	(How Much?)	(When?)		<u>Creditable</u>	<u>Eligibility</u>	-Membership	15 Yrs / 0 Mo	15 Yrs / 0 Mo	-Military	4 Yrs / 0 Mo	4 Yrs / 0 Mo	-Purchased/Transferred	<u>0 Yrs / 0 Mo</u>	<u>5 Yrs / 0 Mo</u>	Total	<u>19 Yrs / 0 Mo</u>	24 Yrs / 0 Mo
Service on or after January 1, 2002	(How Much?)	(When?)																	
	<u>Creditable</u>	<u>Eligibility</u>																	
-Membership	15 Yrs / 0 Mo	15 Yrs / 0 Mo																	
-Military	4 Yrs / 0 Mo	4 Yrs / 0 Mo																	
-Purchased/Transferred	<u>0 Yrs / 0 Mo</u>	<u>5 Yrs / 0 Mo</u>																	
Total	<u>19 Yrs / 0 Mo</u>	24 Yrs / 0 Mo																	

Period of Severance

A Plan Participant who terminates employment and is subsequently re-employed as a Covered Employee will incur a Period of Severance for the period of time not worked.

How Service is Bridged: A Participant with three years of Eligibility and Creditable Service at termination is rehired as a Covered Employee. The Participant will retain the previous Eligibility and Creditable Service when the Participant returns to work.

If you received a Cash-Out of your Employee Contributions and interest when you terminated and you resume Participation in the Plan, you will have 90 days to repay the full amount of your Cash-Out, plus interest at the rate of 5% compounded annually from the date of Cash-Out to the date of repayment, in order to regain your prior service credit.

Notes: Service with Howard County credited in other retirement plans is subject to separate Period of Severance and Transfer of Service Credit rules. Contact the Retirement Coordinator for additional information.

If you lost Eligibility Service and Creditable Service as the result of a Cash-Out, you can purchase your lost Creditable Service at any time.

If you are receiving benefit payments from the Plan when you are re-employed, the payments will stop until you again terminate employment.

Purchasing Creditable Service

Purchased service refers to credit you buy by making a direct payment to the Plan for specific types of previous employment. An active Participant may purchase Creditable Service for certain government employment that has not been previously recognized for employment with:

- A Maryland county or city employer which does not sponsor a plan from which you can transfer service to this Plan,
- Any other State, county or city government employer within the United States, or
- The United States government.

You must pay the entire cost of the benefit provided by the Creditable Service which you purchase. Therefore, service that is purchased increases the amount of your benefit at retirement, but does not make you eligible to retire earlier. You may purchase service by making a lump sum payment, with a “rollover” of your benefits from another retirement plan, or by installment payments. You may make installment payments on a pretax basis if you sign a payroll deduction agreement with the County to purchase the service. However, if you enter into a pretax payroll deduction agreement, it cannot be changed for any reason.

Note: In unusual cases, Internal Revenue Code rules may limit your ability to purchase service in the Plan. You will be notified if this is the case for your purchase.

Leave of Absence Without Pay

Generally, you will not be credited with Eligibility Service or Creditable Service for an approved leave of absence which is unpaid. However, **you may elect to purchase service for an Approved Leave of Absence Without Pay**, up to a maximum of two years, by making a lump sum payment to the Plan within 90-days of returning from your leave. If you do, the Plan will credit you with Eligibility Service and Creditable Service as if you had been working during your period of absence.

You will receive credit for Service for an approved leave of absence for:

- personal illness
- maternity or paternity
- specific study programs
- service in a professional or employee organization
- government-sponsored or subsidized employment
- adoption of a child

When you return from an Approved Leave of Absence Without Pay, you will owe your employee contributions to the Plan. These contributions are 7.7% of pay for Fire Participants and 11.6% of pay for Police Participants, based on your Compensation in effect on the July 1st preceding the date of your Approved Leave of Absence and your regularly scheduled work hours

A Police Department Participant on an Approved Leave of Absence Without Pay for 20 weeks who earns \$50,000 annually will owe the Plan \$2,230.77 within 90-days of returning to work.

$$\text{\$50,000} \times 11.6\% \div 26 \text{ pays} \times 10 \text{ pays} = \text{\$2,230.77}$$

Note: If you do not pay the contributions outlined above, you will not receive service credit during your leave of absence without pay. However, you will have an opportunity to purchase credit for your leave of absence without pay at any time prior to termination of employment with the County. If paid after your return from leave of absence but prior to your termination, you will be required to pay the full actuarial cost of the service, not just the missed contributions. Refer to page 6 for details regarding Periods of Severance and Purchases.

Vesting

Once you are vested, you will not lose or forfeit your benefits if you terminate employment with the County. The Plan's vesting requirements are shown below:

<u>Years of Eligibility Service</u>	<u>Percentage Vested</u>
Less than 5 years	0%
5 or more years	100%

Even if you terminate employment with the County before you are 100% vested, you will always receive a benefit equal to your own contributions, including transferred contributions (if any), plus interest.

Calculation of Average Compensation

One of the keys to calculating your benefit payment from the Plan is your “Average Compensation.” Your Average Compensation is the average monthly Base Salary you receive during the highest 36 consecutive calendar months of your employment with the County. An example of an Average Compensation calculation is shown below:

Salary history for retiring Plan Participant is:

Date	Monthly Base Pay	Date	Monthly Base Pay	Date	Monthly Base Pay
01/01	\$4,000	01/02	\$4,433	01/03	\$4,750
02/01	\$4,000	02/02	\$4,433	02/03	\$4,750
03/01	\$4,000	03/02	\$4,433	03/03	\$4,750
04/01	\$4,000	04/02	\$4,433	04/03	\$4,750
05/01	\$4,000	05/02	\$4,433	05/03	\$4,750
06/01	\$4,000	06/02	\$4,433	06/03	\$4,750
07/01	\$4,433	07/02	\$4,750	07/03	\$4,845
08/01	\$4,433	08/02	\$4,750	08/03	\$4,845
09/01	\$4,433	09/02	\$4,750	09/03	\$4,845
10/01	\$4,433	10/02	\$4,750	10/03	\$4,845
11/01	\$4,433	11/02	\$4,750	11/03	\$4,845
12/01	\$4,433	12/02	\$4,750	12/03	\$4,845

Your Average Compensation in this example is calculated as follows:

No. of Mos.	Monthly Base Pay		
6 x	\$4,000	=	\$24,000
12 x	\$4,433	=	\$53,196
12 x	\$4,750	=	\$57,000
6 x	\$4,845	=	\$29,070
			\$163,266
÷	36 months	=	\$4,535

Normal Retirement Date

You may retire at your Normal Retirement Date and receive full benefits. Participants reach Normal Retirement on the first day of the month on or after completion of 20 years of Eligibility Service, if at least 10 years were served as a Covered Employee. Normal Retirement is also defined as age 62 with at least 5 years of Eligibility Service, if earlier.

Normal Retirement Benefits

The amount of your Normal Retirement Benefit is determined by a formula, based on your Average Compensation and Creditable Service. Average Compensation is the average of your Base Salary for the highest 36 consecutive calendar months of paid employment for Howard County, see example on page 8. Participants who retire at Normal Retirement will receive a monthly income calculated using the following formula:

Example of Normal Retirement: Your Average Compensation is \$4,535 and you had 20 years of Creditable Service.

$$\text{\$4,535} \times 50\% = \text{\$2,267.50 monthly}$$

If you retire with 20 or more years of Creditable Service, your benefits are determined as follows:

<u>Police Participants</u>		<u>Fire Participants</u>	
<u>Year</u>	<u>Benefit</u>	<u>Year</u>	<u>Benefit</u>
20	50%	20	50%
21	53%	21	53%
22	57%	22	56%
23	62%	23	59%
24	68%	24	62%
25	75%	25	65%
26	76%	26	66%
27	77%	27	67%
28	78%	28	68%
29	79%	29	69%
30	80%	30	70%

Notes: The benefit for fractional years of Creditable Service is determined by prorating the difference in benefit levels between the nearest lower whole year of service and the nearest higher whole year of service.

Other Normal Retirement benefit provisions were in effect for Participants who terminated employment before January 1, 2002. If you have questions related to provisions which may apply to you but are no longer in effect, please contact the Retirement Coordinator.

Additional Creditable Service is granted for Unused Sick Leave, see page 3 for more information. Police Participants receive 2.5% of Average Compensation for each year of Unused Sick Leave. Fire Participants receive additional Creditable Service in accordance with the schedule shown above. After 30 years of Service, Fire Participants receive 1% of Average Compensation for each year or fractional year of Unused Sick Leave.

Late Retirement Benefit	<p>You may defer retirement and keep working past your Normal Retirement Date. If you choose to continue working, your benefit payments will not be paid until you actually retire. You will continue to accumulate Creditable Service after your Normal Retirement Date until you reach 30 years of Creditable Service. Only 30 years of Creditable Service, plus unused sick leave, can be used to calculate your retirement benefit. Once you have earned 30 years of Creditable Service, your employee contributions will stop.</p>
Disability Benefits	<p>You will be eligible to receive disability benefits if you have a “total and permanent disability” while an active Participant. A “total and permanent disability” is a medically-determinable, physical or mental injury or disease which is expected to be permanent or result in death, and which prevents you from performing the usual duties of your position. There are two types of disability retirement:</p> <ul style="list-style-type: none"> • Ordinary Disability, and • Line-of-Duty Disability <p>To qualify for Ordinary Disability benefits, you must:</p> <ul style="list-style-type: none"> • have at least five years of Creditable Service at the time of your disability, • have a total and permanent disability, and • not have a line-of-duty disability. <p>To qualify for Line-Of-Duty Disability benefits, you must:</p> <ul style="list-style-type: none"> • have a total and permanent disability, incurred as a result of an accident or injury sustained as a Covered Employee, and • have a ruling of compensability under the Maryland Workers’ Compensation Act. <p>No disability benefits will be paid for any accident or injury that:</p> <ul style="list-style-type: none"> • was intentionally self-inflicted, • was sustained while you were engaged in criminal behavior, • resulted from chronic alcoholism or addiction to narcotics, or arises because of your willful misconduct. <p>If you submit a claim for disability, your claim will be reviewed by the Disability Review Board. The Disability Review Board may seek help from a Medical Advisory Board consisting of one or more physicians to determine if your condition qualifies as a total and permanent disability. Decisions of the Disability Review Board may be appealed to the Retirement Plan Committee.</p> <p>Your right to receive disability benefits under the Plan is subject to periodic review on the part of Howard County to determine your continued disability status. You will be required to have a physical examination no more often than annually with a doctor selected or approved by the County, and you will be required to furnish a copy of your federal income tax return each year to the Retirement Coordinator. Refusal to submit to a required examination or to submit the required documentation will result in your payments ending. Once you reach age 62, you are no longer required to have an annual physical examination or submit a copy of your federal income tax return.</p>

Ordinary Disability Benefits	<p>Ordinary Disability benefits are calculated in the same way as normal retirement benefits, using your Creditable Service and Average Compensation calculated at the date of disability. The minimum disability benefit is 20% of Average Compensation.</p> <p>Ordinary Disability benefits will not be reduced by any benefits you receive through Workers' Compensation. However, Ordinary Disability benefits are subject to an earned income limitation. Each calendar year, your earned income will be combined with your disability benefits paid and compared to your annualized Average Compensation at termination plus \$3,000, adjusted annually for the Cost of Living. If your combined earned income and disability benefits paid exceed the earned income limitation, effective the following July 1st, your disability benefit payable under the Plan shall be reduced dollar for dollar to the extent of the excess.</p>
Line-of-Duty Disability Benefits	<p>There are two categories of Line-Of-Duty disability: Catastrophic and Non-catastrophic. Catastrophic Line-Of-Duty disabilities are disabilities caused by an on-the-job accident or injury which permanently prevents you from performing any substantial, gainful employment (a moderate amount of work with reasonable regularity, without regard to the job you had prior to the disability), or which severely limits your participation in one or more of the following major activities: caring for yourself, walking, seeing, hearing, speaking, breathing, or learning. Non-catastrophic line-of-duty disabilities are disabilities which are caused by an on-the-job accident or injury but are not severe enough to be catastrophic.</p> <p>If you retire because of a Catastrophic Line-Of-Duty disability, you will receive a monthly benefit equal to 66 2/3% multiplied by your monthly Base Salary (adjusted to reflect changes in Base Salary from the time of your disability through the time when your disability benefits begin to be paid).</p> <p>If you retire because of a Non-catastrophic disability, you will receive a monthly benefit equal to 50% multiplied by your monthly Base Salary (adjusted to reflect changes in base Salary from the time of your disability through the time when your disability benefits begin to be paid).</p>
Limitations Regarding Disability Benefits	<p>As a general rule, Maryland law prohibits your receiving an award of both Workers' Compensation and disability benefits. In most cases, you will receive disability benefits and not Workers' Compensation benefits. However, in some instances, your disability benefits will be reduced by the amount of your Worker's Compensation benefits.</p>
Death Benefits	<p>If you die before your retirement, your designated beneficiary is eligible to receive, in one or more payments, a return of all the contributions you made to the Plan, including transferred contributions (if any), plus interest.</p> <p>The return of employee contributions death benefit payable to your beneficiary may be increased by an amount equal to your annual Base Pay at the time of your death, provided:</p> <ul style="list-style-type: none"> • you die while actively employed, and • you have either one year of Creditable Service or you die in the Line-of-Duty.

**Death
Benefits
Continued**

If you die while actively employed, your spouse may choose a monthly benefit instead of the lump sum death benefit described above, provided:

- You are married on the date of your death, and
- Your spouse is designated as your sole, primary beneficiary, and
- Either you are age 62 or older at the time of your death or you had already reached your Normal Retirement Date.

If the above requirements are met, your spouse may elect to receive a monthly benefit which will continue over your spouse's lifetime. The benefit amount equals 100% of the amount which would have been paid to you had you retired on the day before your death and begun to receive your benefit as a 100% survivor annuity. See page 14 for details regarding 100% survivor annuities.

**Line-of-Duty
Death Benefits**

Your beneficiary may receive a benefit which, like disability benefits, are classified as "Ordinary" or "Line-Of-Duty." If you die from an injury or illness which you have sustained as a Covered Employee and which has been ruled "compensable" under the Workers' Compensation Law of Maryland, your death will be considered "in the Line-Of-Duty."

If your spouse is named as your only primary beneficiary, your spouse will be able to choose one of the following payment forms:

- (1a) a lump sum payment equal to your annual Base Salary as of your death, plus,
- (1b) a return of all of the contributions you have made to the Plan, with interest, payable in one or more installment payment(s) in accordance with regulations prescribed by the IRS;

-OR -

- (2) a monthly benefit equal to 66 2/3% of your monthly Base Salary as of the date of your death to be paid starting the month next following your date of death and continuing until your spouse dies or remarries.

If your spouse dies or remarries, your children, if any, who are named as contingent beneficiaries are eligible to receive monthly payments totaling 50% of your monthly Base Salary as of your date of death, payable until they reach age 18 (or 23 if full-time students). This means that if you have two children, each will receive 25% of your monthly Base Salary as of your date of death each month until each reaches age 18 (or 23 if full-time students).

If your primary beneficiary is someone other than your spouse or eligible children, the beneficiary will receive a lump sum payment equal to your annual Base Salary as of your date of death. Your beneficiary will also receive a return of all the contributions you have made to the Plan, with interest, payable in one or more installment payment(s) in accordance with regulations prescribed by the IRS.

Deferred Vested Benefits or Termination Benefit	<p>If you terminate employment before you have five years of Eligibility Service, you will receive a lump sum Cash-Out payment returning all the contributions you made to the Plan, including transferred contributions (if any), plus interest, in a single lump sum. The payment will be made as soon as administratively possible following your termination of employment and your completion of the required distribution forms.</p> <p>If you terminate employment after you have five years of Eligibility Service, you may elect to receive a lump sum Cash-Out payment returning all the contributions you made to the Plan, including transferred contributions (if any), plus interest, in a single lump sum. If you elect to receive your contributions in a lump sum, you forfeit all other benefits from the Plan.</p> <p style="text-align: center;">– OR –</p> <p>If you terminate employment after you have five years of Eligibility Service, you may choose to receive a Deferred Retirement Benefit instead of the Lump Sum Cash-Out option. Your Deferred Retirement Benefit is calculated using the Normal Retirement Benefit formula which is 2.5% of Average Compensation multiplied by Creditable Service (when Creditable Service is 20 years or less) at the time of your termination of employment. Deferred Retirement benefits begin on the first day of the month coincident with or following your 62nd birthday.</p> <p>Note: If you return to Howard County employment in a covered classification, you may be able to regain your prior service by repaying your lump sum Cash-Out distribution, plus interest, to the Plan within 90 days of your rehire date. (See page 6 for more information on the Plan's Period of Severance rules.)</p>
Designation of Beneficiaries	<p>When you begin to participate in the Plan, you will be asked to designate a beneficiary to receive any benefits which may be payable after your death.</p> <p>If you are married, your spouse will automatically be your beneficiary unless you designate another beneficiary. If you marry after naming another beneficiary, you will need to complete a new beneficiary designation form to name your spouse as your beneficiary.</p> <p>If you are not married and you fail to designate a beneficiary, death benefits will be paid in the following order:</p> <ul style="list-style-type: none"> • to your children or grandchildren • to your parents, or • to your estate.
Optional Forms of Payment	<p>The Plan provides a number of payment options. When you retire, you should choose the payment option which best suits your needs and the needs of your family. The options range from a Life-Only Annuity which provides the highest monthly allowance for you alone, to options that reduce your monthly payment but provide varying degrees of protection to your spouse after your death. You may not change your payment option, or your designation of beneficiary, after you receive your first benefit payment. For this reason, it is extremely important that you fully understand the complete details of each option available to you before you retire.</p>

Optional Forms of Payment, Continued

Life-Only Annuity Benefit

The Life-Only Annuity is the Plan's normal form of benefit and provides you with the largest possible monthly benefit during your lifetime. This payment option stops at your death, so no income protection is provided to your spouse after your death. If your spouse needs such protection, you should select one of the optional forms of payment described below.

Optional forms of payment are actuarially equivalent to the Life-Only annuity, i.e., the monthly payments reflect an adjustment to take into account additional payments which are made upon your death.

Option #1 - 50% Survivor

This option provides continuing monthly payments to your spouse after your death, equal to 50% of your reduced benefit. The continuing payments end with your surviving spouse's death.

Option #2 - 100% Survivor

This option provides continuing monthly payments to your spouse after your death, equal to 100% of your reduced benefit. The continuing payments end with your surviving spouse's death.

Option #3 -50% Pop-Up

This option provides continuing monthly payments to your spouse after your death, equal to 50% of your reduced benefit. However, if your spouse dies first, or if you and your spouse divorce, your benefit will be increased to equal your benefit expressed as a Life-Only Annuity.

Option #4 - 100% "Pop Up"

This option provides continuing monthly payments to your spouse after your death, equal to 100% of your reduced benefit. However, if your spouse dies first, or if you and your spouse divorce, your benefit will be increased to equal your benefit expressed as a Life-Only Annuity.

Lump-Sum Option

This option is a return of your employee contributions, including transferred contributions (if any), with interest. Once this benefit is paid, no further benefits are payable from the Plan.

Notes: Your selection of a payment option will also affect your spouse's eligibility for continued retiree health insurance coverage with the County after your death. If you select a Life-Only Annuity, your spouse will not be receiving monthly benefit payments from the Plan and will not be eligible to continue health insurance coverage through the County after your death.

Preserving Your Retirement Benefits/Quali- fied Domestic Relations Orders

In order to preserve your benefits under this Plan for your retirement, the Plan makes no provision for borrowing against your benefits or withdrawing money from the Plan before you are otherwise entitled to a distribution.

In addition, your creditors may not attach or garnish your benefits before you receive them. However, an exception to this general rule is made for “qualified domestic relations orders” (QDROs). The Retirement Plan Committee may be required by law to recognize obligations you incur as a result of a decree or order issued by a court that obligates you to pay child support or alimony, or otherwise allocates a portion of your benefits in the Plan to your spouse, former spouse, child or other dependent, referred to as the “Alternate Payee” in this document. If a qualified domestic relations order is received by the Retirement Plan Committee, all or a portion of your benefits may be used to satisfy the obligation.

If you are in the process of divorce and a QDRO is being discussed, ask the Retirement Coordinator for a copy of the Plan’s QDRO procedures. The Retirement Coordinator will review a draft order if it has been signed by both the Participant and the Alternate Payee, or their counsel acknowledging that the order is agreed to in form.

The Plan will not accept a Domestic Relations Order if it:

- requires the Plan to provide a type or form of benefit not otherwise provided,
- requires the Plan to provide increased benefits,
- requires the payment of benefits to an Alternate Payee which are required to be paid to another Alternate Payee,
- provides for payment of benefits to an Alternate Payee which commence before the commencement of benefit payments to the Participant
- provides for payment of benefits to an Alternate Payee over a period of time longer than the lifetime of the Participant,
- allows an Alternate Payee to designate a beneficiary to receive payments following the death of the Alternate Payee,
- fails to specifically provide that upon the death of the Alternate Payee, benefits revert to the Participant,
- provides an Alternate Payee with “surviving spouse” benefits,
- fails to specifically provide that no portion of any death benefit will be paid to an Alternate Payee upon the death of the Participant if a surviving spouse annuity benefit is payable to a then-surviving spouse of the Participant,
- provides for payments to an Alternate Payee for all or a portion of any payments made to the Participant on account of the Participant’s disability before the date the Participant’s disability benefits are converted to normal retirement benefits.

Cost of Living Allowance

Once you retire, your benefit will be adjusted annually to help your payments from the Plan keep pace with inflation. The Plan uses the Consumer Price Index (CPI-U) for the Washington/Baltimore area as published by the Bureau of Labor Statistics to calculate the change in retiree allowances each July. The CPI is considered to be the principal source of information about trends in consumer prices and inflation in the United States.

Your first Cost of Living Allowance (COLA) will occur on the July 1 check coincident with or otherwise next following the one-year anniversary of your benefit commencement date. Subsequent adjustments will occur each July 1. The COLA is calculated on the benefits you are currently receiving. The maximum increase you may receive is 2% compounded annually. In some years the COLA may be less than 2% and in others it may be more than 2%, but your cumulative COLA may not be greater than 2% compounded annually.

Administrative Provisions

The Plan is administered by a Retirement Plan Committee consisting of employees of Howard County. The Committee prepares rules, regulations and procedures necessary for proper and efficient administration of the Plan. Day-to-day operation of the Plan is supervised by the Howard County Human Resources Administrator. Questions regarding your participation in the Plan and your benefits under the Plan should be directed to the Retirement Coordinator in the Office of Human Resources.

A five member Pension Oversight Commission monitors the Plan. The members of the Commission are appointed by the County Executive and confirmed by the County Council. Members of the Commission may not:

- Hold elective or appointed office with Howard County or the State of Maryland,
- Be participants in any retirement plan offered by the County, or
- Have any involvement with any company that does business with a County retirement plan.

Appendix Glossary of Terms

Alternate Payee – Your spouse, former spouse, child or other dependent allocated a portion of your retirement benefits in accord with a court ordered Qualified Domestic Relations Order.

Average Compensation – The average of your Base Salary for the highest 36 consecutive full months of paid employment for Howard County. Line of Duty disability benefits, however, are calculated on Compensation which is equivalent to your Base Salary and not Average Compensation.

Base Salary – The compensation level established by the County for your job classification (including Day Shift Premiums, ALS Premiums and H.V.O. Premiums). Base Pay does not include overtime pay, bonuses or other extra pay (other than the awards and premiums just listed).

Beneficiary – The person or persons you designate to receive benefits from the Plan in the event of your death.

Covered Employee - An Employee employed on a full-time basis as a sworn member of the Howard County Police Department or a uniformed career employee of the Howard County Department of Fire and Rescue Services and who is paid according to the following Salary Schedules

Schedule F	Local 2000 of the International Association of Firefighters
Schedule P	Local 86 or the International Union of Police Associations
Fire Salary Schedule	Fire Management
Police Salary Schedule	Police Management

Creditable Service – Creditable Service is used to determine the amount of most benefits that you may be eligible to receive under the Plan. You are credited with one month of Creditable Service for each month during which you are employed on a full-time basis for the entire month.

Eligibility Service – Eligibility Service is used to determine whether you are Vested in your benefit under the Plan and when you are eligible for benefits under the Plan.

Life-Only Annuity – A form of benefit which pays you a monthly benefit until you die, but pays no benefits to your beneficiaries after you die.

Normal Retirement Date – The first day of the month on or after the date an Employee earns 20 years of Eligibility Service with 10 years as a Covered Employee or, if earlier, the first day of the month on or after the date on which an Employee reaches age 62 and earns 5 Years of Eligibility Service.

Period of Severance – Any calendar month for which you were not credited with Service on account of having terminated employment with Howard County.

Retirement Plan Committee – A Committee of County employees oversees the administration of the Plan.

Vested – The point at which you have a non-forfeitable right to benefits under the Plan. You will be 100% vested after you have earned five years of Eligibility Service – whether that service is Howard County service credited under the Plan or transferred from another governmental employer's plan.